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SUBJECT: TURKEY'S BOTAS BULLISH ON IRAQ GAS

REF: A) ANKARA 5745
B) ANKARA 5699
C) ANKARA 5332

Sensitive But Unclassified. Please handle accordingly.

¶1. (SBU) Summary: In an October 2 meeting, BOTAS officials expressed support for Turkey's role as a transit country for bringing new sources of natural gas to European markets (Ref A). Echoing comments we have heard from the Ministry of Energy and the Turkish Oil Company (TPAO), BOTAS officials called for joint efforts for developing natural gas in northern Iraq for egress to Turkey. They cited detailed feasibility studies completed by Mitsubishi in 1997 in support of a partnership between TPAO, BOTAS, Shell, ENI, and Gaz de France formed to develop a project near Kirkuk that was not implemented due to UN sanctions. They stressed the potential for quick development of Iraqi gas exports, which could provide an important new income source for Iraq, as well as benefit European energy security. End Summary.

¶2. (SBU) BOTAS acting DG Saltuk Duzyol and his colleagues urged a more active approach in developing natural gas production in northern Iraq. Repeating comments we have heard at TPAO and the Ministry of Energy, Duzyol's advisor cited detailed feasibility work completed by Mitsubishi in 1997, but then abandoned under the UN sanctions program. He said BOTAS had partnered with TPAO and Shell, in addition to ENI and Gaz de France - as operators - to develop the project. The BOTAS official pointed out that former Oil Minister Thamer Ghadban had been the Iraqi point person for feasibility work and Shell was intimately familiar with the project and its potential.

¶3. (SBU) The BOTAS officials asserted that the studies showed that non-associated gas reserves near Kirkuk could support 10 BCM per year production. Moreover, they said that this gas was a "rich" gas with associated LPG and condensates. Duzyol proposed that the Iraqi gas could be shipped out via a new pipeline on the Kirkuk-Ceyhan oil pipeline right-of-way, but the gas could be connected to the Turkish grid at Siirt, just 50 km north of the border, from where there was significant spare domestic grid capacity for transit. This gas could provision Turkey's east, but more importantly it could feed potential LNG development at Ceyhan for the U.S. and other world markets. Northern Iraq production could be supplemented by connecting to southern Iraq with 600-1000 km of pipeline to develop the 11 BCM per year of associated gas now flared off.

¶4. (SBU) Duzyol said that Minister Guler had twice written his Iraqi counterpart to pursue these projects, but had received no reply. The BOTAS officials lamented the lack of a viable counterpart in Iraq with which to develop these projects. They recognized the need for development of the new hydrocarbon law and clarity on how to do oil and gas business in northern Iraq.

¶5. (SBU) COMMENT: The previous work done on gas development in northern Iraq could be a logical starting point for Turkish-Iraqi discussions of Iraqi gas export potential (Ref C). Understanding the political complications in Iraq, these discussions could take place between Turkish and Iraqi technical experts, perhaps facilitated by U.S. advisors.

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